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50

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SECRET

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Central Intelligence Bulletin

CONTENTS

Vietnam: Situation report. (Page 1)

Communist China: The appointment of an important provincial official may attest to the influence of the chief of the general staff. (Page 2)

USSR: Moscow reported a slight rally in the growth of industrial production during the second quarter. (Page 3)

West Germany: The government parties are still bickering over revaluation. (Page 4)

El Salvador - Honduras: El Salvador's agreement to withdraw its forces may temporarily ease the crisis. (Page 5)

UN - Middle East: Observer posts (Page 6)

Nigeria: Papal mediation (Page 6)

East Germany - Guinea: Diplomatic relations (Page 6)

Zambia-Portugal: Border tensions (Page 7)

SECRET

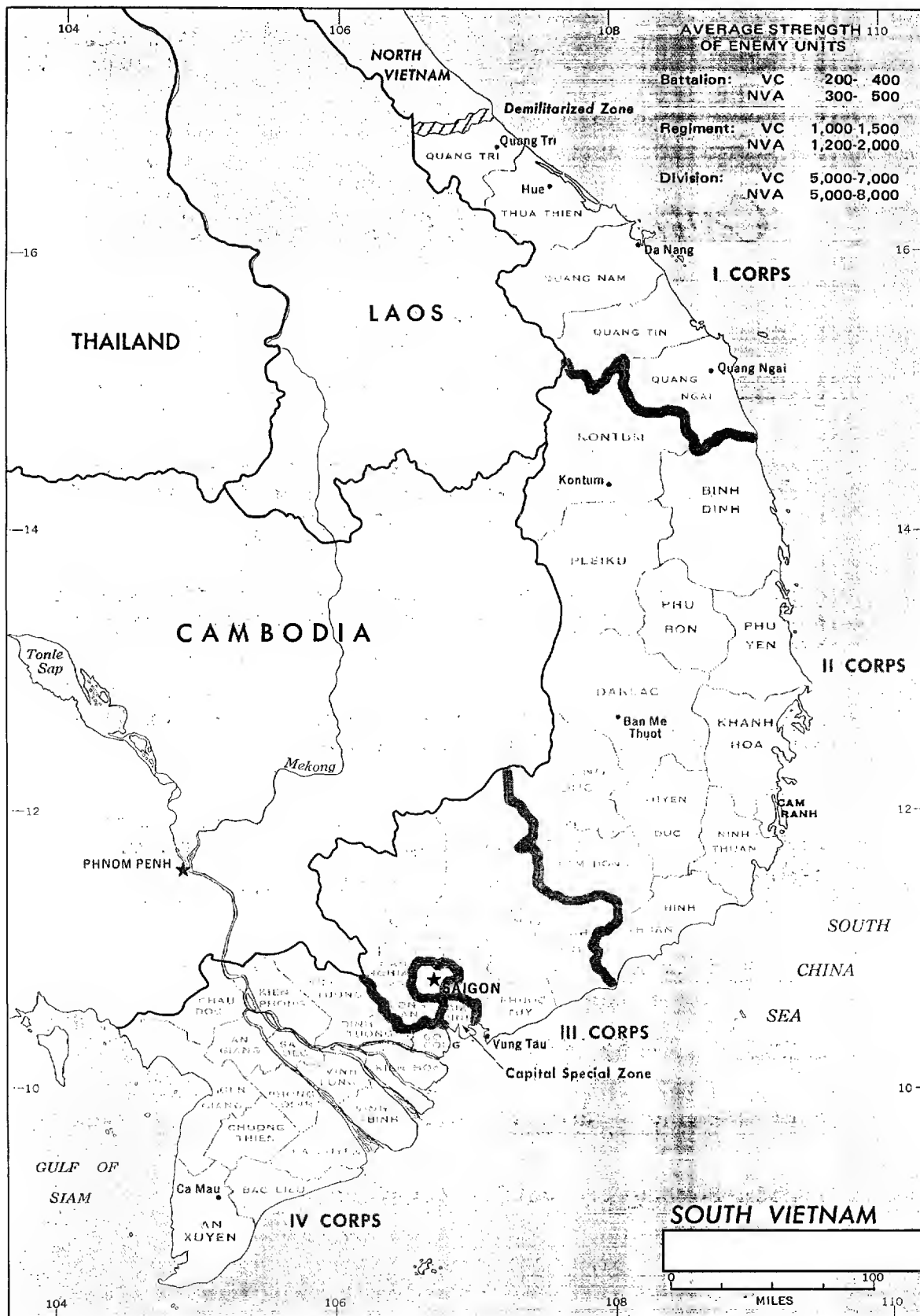
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Vietnam: Communist military activity remained light throughout most of South Vietnam immediately before President Nixon's arrival in Saigon.




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the Communists retain the capability to launch some kind of attack with little or no warning. Such an effort could include scattered shellings, small-unit ground probes, and intensified terrorist acts mounted by local-force and guerrilla units.

* * * *

North Vietnam's reaction to President Nixon's Asian trip has been relatively mild and cautious thus far.

Hanoi denounced the President's remarks, made on Guam on 25 July regarding a post-Vietnam role for the US in Asia, as an indication that the US intends to persist in a policy of trying to "dominate" the region. The retort, which appeared in the party daily Nhan Dan, also described the President's policy as one of pitting Asians against Asians in a "crusade" against Communist countries.  (Map)]

25X1

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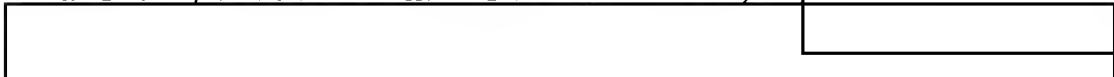
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Communist China: The appointment of a new provincial revolutionary committee chairman in Kwangtung may attest to the growing influence in Peking of chief of the general staff Huang Yung-sheng.

The important post was previously held by Huang, the longtime Canton Military Region commander, but had been vacant since March 1968 when Huang became chief of staff. The long delay in replacing Huang suggests that the choice of a successor may have generated considerable debate among competing interest groups in Peking.

The new chairman, Liu Hsing-yuan, has served as a political commissar in the Canton Military Region since at least 1955 and is among Huang's close associates in Kwangtung. Liu was promoted over the head of K'ung Shih-ch'uan, who has been "first vice chairman" of the revolutionary committee since it was established in February 1968 and had been acting chairman since Huang's departure the following month. K'ung was sent to Kwangtung from Peking during a period of radical resurgence in May 1967 to serve as a high-ranking political officer in the Canton Military Region.

Huang is clearly on the rise. His counsel and approval no doubt were instrumental in confirming the Kwangtung appointment. Moreover, the recent upgrading of the office of the chief of general staff reflects his enhanced personal stature. Huang's ascent is further evidence that some regional military leaders have been acquiring a significant share of political influence in Peking.



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USSR: Moscow reported a slight rally in the growth of industrial production during the second quarter of the year, but the official growth rate at mid-year was still the lowest for any comparable period of the 1960s.

According to the official report, industrial production was only 6.9 percent higher than that of the first half of 1968. The 1968 gain over 1967, in the same period, was about 9 percent. Apparently to emphasize the recent improvement in economic performance, the Soviets broke with tradition and announced a second quarter growth rate of 7.8 percent.

Another key indicator, labor productivity, grew only 4.4 percent compared with an increment of 5.7 percent during the first half a year ago and the 5.9 percent increase planned for the full year 1969.

All industrial sectors, except for electric power and the defense-related machine-building industries, failed to fulfill their six-month plans; most also registered sharp downturns in growth rates compared with the first half of last year. The output of fuels, metals, and construction materials grew at particularly low rates.

The Soviets admitted agricultural difficulties caused by the severe winter weather, but claimed that steps had been taken to compensate for the loss of winter crops, such as sowing more land to spring crops. Food consumption apparently is still suffering the consequences of limited supplies during the winter months and shortfalls in 1968 production. Meat sales fell 3 percent below the amount sold during the first half of 1968 and vegetable sales dropped 17 percent below last year's level.

25X1

30 Jul 69

Central Intelligence Bulletin

3

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West Germany: Bickering between the government parties over the issue of deutschemark revaluation has not yet abated.

Economics Minister Schiller, a Social Democrat, has openly challenged the wisdom of the government decision of 9 May not to revalue the deutschemark upward. Christian Democrats have been quick to defend the decision. Both sides sense the importance of the issue to their prospects in the Bundestag elections in late September.

Chancellor Kiesinger publicly reiterated on 25 July that there will be no revaluation prior to the election. He said that the dispute had brought the coalition close to a crisis. Social Democratic leaders have rallied behind Schiller, albeit somewhat belatedly, and have also alluded to a possible crisis.

It seems clear, however, that the leaders of both parties intend to stop short of a clash that would bring down the government now or raise obstacles to its continuance after the election. They probably reason that a government collapse would alienate voters from the major parties, and enhance the prospects of the smaller parties, such as the rightist National Democratic Party.

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El Salvador - Honduras: El Salvador's agreement to withdraw its troops from Honduras may temporarily ease the crisis, but the long-standing problems which caused the conflict remain.

Salvadoran Foreign Minister Guerrero announced yesterday afternoon that his government would pull back its troops and rely on the OAS to guarantee the lives, rights, and property of its nationals in Honduras. The announcement came after the OAS foreign ministers threatened to impose economic sanctions on Salvador to force a troop withdrawal.

The Salvadoran Government is claiming a diplomatic "triumph" in the OAS by achieving guarantees for its citizens in Honduras and agreement on "reparations" in exchange for the troop withdrawal. While the reference to indemnification is obviously intended for Salvadoran public consumption, it will upset the Hondurans and could complicate a final settlement of the crisis.

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NOTES

UN - Middle East: [REDACTED]

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[REDACTED] General Odd Bull, chief of staff of the UN Truce Supervision Organization, has decided to close temporarily two observer posts, one on each side of the Suez Canal. If conditions do not improve, Bull plans to close four more of the 18 posts shortly. The UN political adviser on the scene reportedly is urging that all observers be withdrawn on humanitarian grounds. According to press reports, UN officials met yesterday in New York with representatives of the seven nations contributing observers to consider the situation.

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Nigeria: Pope Paul's efforts to bring about peace negotiations between the Nigerians and Biafrans during his visit to Uganda on 31 July - 2 August are not likely to be productive. The federal government and the Biafrans, however, are sending delegations to meet with the Pope. Nigerian and Biafran delegations are now in Geneva to discuss relief operations, but this also seems unlikely to lead to serious peace negotiations.

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East Germany - Guinea: A high-level East German delegation which arrived in Conakry on 26 July presumably is attempting to persuade the Guineans to establish diplomatic relations with Pankow. The delegation, led by politburo member Albert Norden, probably will attempt to convince the Guineans that now is the time to recognize Pankow, and that such a move would not offend Bonn. As in the case of the six other countries which previously extended recognition, the East Germans may also offer to grant further economic assistance to Guinea.

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Zambia-Portugal: The UN Security Council's censure of Portugal on 28 July for recent attacks on a village along the Zambia-Mozambique border is essentially what Zambia hoped to achieve. Lisbon may well believe that Portuguese counterinsurgency forces did not cross the ill-defined border in these instances. Portugal probably is concerned that Zambia's recourse to the UN rather than to established bilateral procedures indicates less willingness by Lusaka to reduce border tensions.

Lisbon's earlier disclaimer of border violations probably caused Zambia to believe that at least moral pressure from the UN is necessary before Portugal will keep its forces away from the border. If, as is likely, border incidents continue, Zambia probably will accelerate its military expansion program--including the acquisition of jets.

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